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C O N F I D E N T I A L SECTION 01 OF 03 RIGA 000430

SIPDIS

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TAGS: PGOV PREL NATO ECON OSCE LG

SUBJECT: READOUT OF A/S GORDON MEETINGS WITH LATVIAN PM AND

FM: NO SURPRISES

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Classified By: Bruce D. Rogers, Charge d'Affaires, for reasons 1.4 (b) and (d)

¶11. (C) Summary: Assistant Secretary Gordon met on August 12 with Latvian Prime Minister, Valdis Dombrovskis, and Foreign Minister, Maris Riekstins. Issues discussed included NATO, Latvia's economic crisis and IMF/EC agreement, Russian foreign policy and U.S. engagement with Russia, Belarus and Georgia, Jewish property restitution, and the Baltic American Enterprise Fund. The meetings were friendly, productive and without surprises. A/S Gordon emphasized the U.S. commitment to Latvia's security and stressed that our engagement with Russia would not come at the expense of our relationships with the countries of Eastern Europe. Both the FM and the PM emphasized the importance Latvia places on the bilateral relationship as well as our collective security goals under NATO.  
End Summary.

Economy

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¶12. (C) PM Dombrovskis asked for U.S. support for a positive IMF Board decision on the next tranche of assistance (USD 275 million), which is scheduled for August 27 or 28. A/S Gordon responded that the U.S. is supportive, but noted that Latvia had to meet the criteria set out by the IMF, including the implementation of structurally sustainable budget reforms. The PM said that Latvia is on track to meet the budget deficit target of 10 percent of GDP for 2009 and is currently working on the 2010 budget to meet the European Commission's requirement of an 8.5 percent of GDP budget deficit next year. The PM said he expects Latvia to return to growth in the 4th quarter of 2010, but acknowledged that there is uncertainty about the economic outlook. The PM also took the opportunity to urge continued support for excluding Latvia from being listed in the Stop Tax Haven Abuse Act. Assistant Secretary Gordon promised to look into the matter.

NATO

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¶13. (C) A/S Gordon emphasized that the U.S. remains committed to Latvia's security under Article V and that the U.S. appreciates Latvia's commitment to NATO's priority mission in Afghanistan in light of its severe budget constraints. PM Dombrovskis opened a broader discussion of NATO by asking for support for the extension of NATO air-policing flights over the Baltics to 2014, as a tangible signal of NATO in Latvia. A/S Gordon responded that the NATO Military Committee has recommended an extension to 2014 of the air-policing mission and the U.S. supports that recommendation.

¶4. (C) Minister Riekstins expressed his pleasure that former Latvian Ambassador to the United States and NATO, Aivis Ronis, was chosen for the Experts Group working on NATO's new Strategic Concept. He suggested that Ronis travel to Washington to meet with key U.S. personnel in addition to his discussions with the Experts Group. The FM said it is important that the Strategic Concept include new threats under the umbrella of Article V protection, including cyber attacks. A/S Gordon said the U.S. would gladly welcome a visit to Washington by Ronis.

RUSSIA

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¶5. (C) A/S Gordon told the PM and the FM that U.S. engagement with Russia will not come at the expense of its values or its friends in Eastern Europe. He also stated that the U.S. is satisfied that progress with Russia was made during the recent presidential summit in Moscow, but that the jury is still out on whether we will see a significant change in relations. The FM said that he would like to cooperate with a stable Russia and said NATO-Russian relations will be important moving forward. However, he noted that there was a lack of unity amongst EU governments on the best approach towards Russia, highlighting the differences between eastern and western Europe.

¶6. (C) A/S Gordon said he left Moscow with the impression that there is a difference, if only subtle, between Putin and Medvedev and asked how the Foreign Minister saw the relationship between the two leaders. In contrast, the FM said that he saw no difference between Medvedev and Putin. He said Russians appear to have lost interest in the political development of their country, as exhibited by an

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erosion of democracy and freedom of expression. The FM talked about the propaganda campaigns waged in the Russian-language media and described it as brainwashing, saying that it reminded him of Soviet times.

¶7. (C) The FM highlighted Russia's creation of a special history verification commission to ensure only the "true" history of Russia and the Soviet Union is written. The FM stated that this commission is part of a broader attempt by Russia to restore its might, and that in order to accomplish this, it had to rewrite history.

¶8. (C) Political Director Ustubs noted pending Russian legislation to create some form of identity card for Russian "compatriots" living abroad. Charge Rogers noted that this move is intended to create a sense of separation between the ethnic Russian and local ethnic communities in Russia's neighbors.

A/S Gordon noted that it is an unfortunate coincidence that many Russian citizens associate economic progress with Putin's hard-line rule and economic decline with Yeltsin's democratization program. A/S Gordon also said that Russia's hard-line stances on issues often results in its failure to achieve its objectives by hardening opposition to its positions even on issues where there may have been room for compromise. A/S Gordon noted the issue of missile defense as an example of how Russia's aggressive negotiating tactics were merely making it more difficult to find common ground, because even if the U.S. had wanted to make changes, Russia's stance has made it more difficult to do so.

¶9. (C) Despite the difficulties in the relationship, the FM said that Latvia wants to encourage dialogue with Russia, while ensuring that it not be hesitant to be firm on questions of principle. The FM said that Russian FM Lavrov has accepted an invitation to come to Latvia for the second

time later this year, assuming progress on a few bilateral economic agreements can be made at the technical level (e.g., double taxation agreement and investment agreement).

BELARUS

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¶10. (C) On Belarus, the PM offered his opinion that there were only two paths to follow: engagement or isolation. The FM made the same point and emphasized the need to engage. Both referenced the Eastern Partnership approach as the framework for engagement. The FM said that isolating Belarus would only serve to push it further into the arms of Russian influence, and said that Belarus has shown an openness to the international community, including through the acceptance of OSCE election monitors. The FM highlighted the decision by Belarus not to recognize South Ossetia's and Abkhazia's independence as positive, considering the counter pressure that must be coming from Moscow.

¶11. (C) A/S Gordon emphasized that he was on his way to Minsk to make the point that the Obama Administration is open to a new, positive relationship with Belarus. However, this new relationship is contingent upon Belarus making progress on several fronts, including freeing political prisoners and greater freedom of speech and assembly. A/S Gordon said the U.S. supports the Eastern Partnership, but that it is up to the leadership of Belarus to make progress necessary to transform the relationship. The FM said that if Belarus bows to Russian pressure and recognizes South Ossetia and Abkhazia, the international community should be careful how far it goes in punishing the country.

¶12. (C) A/S Gordon asked who the Latvians deal with in Belarus and the PM mentioned that his predecessor met with his Belarusian counterpart. Most interaction happens on the ministerial and technical level. In response to a question from A/S Gordon, Minister Riekstins stated Lukashenko wouldn't change the political system in any significant way. The FM concluded by saying that while the international community should engage with Lukashenko now, it should also begin to prepare for the day after Lukashenko.

GEORGIA

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¶13. (C) The Prime Minister described Georgia as one of Latvia's two top foreign policy priorities (the other being

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Afghanistan). The PM hopes the EU and the U.S. will continue to engage and support Georgia. The FM said that the breakdown in internal Russian politics has influenced how Russia now deals aggressively with its neighbors, referencing the conflict with Georgia as an example showing why the international community needs to be more assertive in confronting Russia. The FM lamented the international community's apparent inability to respond to Russia's military aggression in Georgia and the continuing occupation of Georgian territory.

¶14. (C) A/S Gordon responded that the U.S. has provided USD 1 billion in assistance to Georgia and that Vice President Biden, the Deputy Secretary of State and he, twice, had been to Georgia already to show our support. He noted that the U.S. and allies isolated the Russians in the UN and the OSCE, forcing Moscow to veto Resolution 1808. A/S Gordon said we must still make them pay a price, but pointed to the failure of Russia to get even Belarus to recognize the independence of South Ossetia and Abkhazia. He also pointed to the lackluster response to Russia's proposed European Security Treaty.

¶15. (C) A/S Gordon told the PM that while the U.S. was

pressuring Russia to show restraint, it is important for Georgia to consolidate its democratic government. A/S Gordon said there is no short-term military solution to the problem, but that Georgia should be whole again in the long-term. Both the PM and the FM expressed appreciation for the support the U.S. has given to Georgia.

Jewish Property Restitution

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¶16. (C) A/S Gordon asked PM Dombrovskis for an update on Latvia's efforts to secure communal property restitution for Latvia's Jewish communities. The PM said that Latvia had made good progress on this issue, noting that 64 properties had already been returned, and that talks to restore a Jewish School are ongoing.

Baltic American Enterprise Fund

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¶17. (C) The PM and FM both requested A/S Gordon's assistance in securing Riga as the location for the Baltic American Enterprise Fund's successor foundation as well as his support for getting having 100 percent of the returns invested in the successor entity. A/S Gordon noted that this issue had been raised in FM Riekstins meeting's with Secretary Clinton and that we are following up, but couldn't make any promises on the outcome.

ROGERS